RECORD AND BRIEFS

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IN THE

Supreme Court of the United States

OIL STATES ENERGY SERVICES, LLC,

Petitioner,

v.

GREENE'S ENERGY GROUP, LLC, ET AL.,

Respondents.

On Writ Of Certiorari To The United States Court Of Appeals For The Federal Circuit

BRIEF OF DELL INC., FACEBOOK, INC., AGILENT TECHNOLOGIES, INC., ARISTA NETWORKS, INC., CLOUDFLARE, INC., EDWARDS LIFESCIENCES CORP., HEWLETT PACKARD ENTERPRISE CO., HTC CORPORATION, JCPENNEY CORPORATION, INC., LIMELIGHT NETWORKS, INC., RED HAT, INC., SMITH & NEPHEW, INC., TWITTER, INC., AND VARIAN MEDICAL SYSTEMS, INC. AS *AMICI CURIAE* IN SUPPORT OF RESPONDENTS

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INTEREST OF *AMICI CURIAE*[1]

As leading companies in the computer technology, consumer electronics, medical device, retail, social media, and software fields, *amici* have a significant interest in defending the constitutionality of the *inter partes* review procedure before the Patent Trial and Appeal Board ("PTAB"). *Amici* have all benefited from the availability of *inter partes* review—either directly as successful petitioners in *inter partes* review proceedings or indirectly through a reduction in patent-infringement litigation and the cancellation of unpatentable claims imposing roadblocks to their innovative enterprises. *Amici* are also patent owners themselves—collectively holding tens of thousands of patents—and have confidence in the ability of the PTAB to decide any challenges to the patentability of their own claims in an evenhanded and accurate manner. In *amici*'s experience, *inter partes* review provides a cost-effective, efficient, and fair mechanism for resolving patentability questions, and thereby fosters innovation, promotes economic growth, and preserves the finite resources of the federal courts.

Dell Inc. ("Dell") is one of the world's largest technology companies. The Dell family of businesses innovates across devices, ecosystems, and services to

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[1] Pursuant to this Court's Rule 37.3(a), *amici* state that the parties have filed letters with the Clerk granting blanket consent to the filing of *amicus* briefs. Pursuant to this Court's Rule 37.6, *amici* state that no counsel for a party authored this brief in whole or in part, and no counsel or party made a monetary contribution intended to fund the brief's preparation or submission. No person other than *amici* or their counsel made a monetary contribution to the brief's preparation or submission.

design solutions specifically for the way people work—from award-winning thin clients, tablets, and laptops to powerful workstations and rugged devices. Dell's products include personal computers, servers, enterprise storage systems, and computer and network security products. Dell and its affiliates own more than 20,000 patents and applications worldwide, and recognize the importance of protecting valid intellectual-property rights. To date, Dell and its subsidiary EMC Corp. have participated in 86 *inter partes* reviews and similar post-grant proceedings before the PTAB.

Facebook, Inc. provides a free social media service that gives more than 2 billion people around the globe the power to build communities and bring the world closer together. People use Facebook to stay connected with friends and family, to build communities, to discover what is going on in the world, and to express what matters to them. The service is now provided in more than 100 languages and dialects. Facebook has participated in 76 *inter partes* reviews and similar post-grant proceedings.

A full list of *amici* can be found on the cover of this brief.

SUMMARY OF ARGUMENT

I. This Court has "long recognized that, in general, Congress may not 'withdraw from judicial cognizance any matter which, from its nature, is the subject of a suit at the common law, or in equity, or admiralty.'" *Stern v. Marshall*, 564 U.S. 462, 484 (2011) (quoting *Murray's Lessee v. Hoboken Land & Improvement Co.*, 59 U.S. (18 How.) 272, 284 (1856)). But if a matter was not subject exclusively to a suit at common law, equity, or admiralty at the time of

the Founding, Congress may assign it for resolution by a non-Article III decision-maker.

Petitioner's arguments that *inter partes* review violates Article III and the Seventh Amendment rest on the premise that there is an historical analogue to cancellation of patent claims that was available in the common-law or chancery courts of England at the time of the Founding, and, conversely, that there was no such procedure available outside the English court system. That premise is doubly flawed.

Patent revocation did not rest within the exclusive province of the common-law and chancery courts of England at the time of the Founding. Prior to the Founding—and for more than a century thereafter—the Crown's Privy Council had broad authority to revoke patents outside of a judicial proceeding, including for a variety of reasons related to patentability, such as lack of novelty. Because this non-judicial body had the authority to revoke patents when the Constitution was framed, neither Article III nor the Seventh Amendment requires that patentability challenges be decided solely by courts.

Moreover, while England's common-law and chancery courts also possessed authority to consider the validity of patents, neither of the pre-Founding judicial procedures for evaluating patent validity is an historical analogue to cancellation of patent claims through *inter partes* review. The writ of *scire facias* was a partial delegation of the Privy Council's patent-revocation authority to the chancery court, but it was not comparable to claim cancellation based on lack of novelty or obviousness because *scire facias* addressed only issues akin to inequitable conduct. In addition, the right to seek patent revocation

through a writ of *scire facias* was itself a public right, rather than a purely private one, because the writ was pursued in the name of the Crown, required the permission of the Crown, and involved the participation of the Crown in the judicial proceeding.

Nor was the defense of invalidity in a patent-infringement suit an historical analogue to cancellation of patent claims through *inter partes* review. Invalidity was traditionally a personal defense to an infringement action and, unlike the cancellation of a claim through *inter partes* review, did not prevent the patent holder from asserting its rights against another defendant in a subsequent infringement suit.

Multiple features of the historical record therefore make clear that neither Article III nor the Seventh Amendment limits claim cancellation to judicial proceedings.

II. Congress's decision to authorize the PTAB to cancel patent claims through *inter partes* review is not only consistent with Article III and the Seventh Amendment, but also advances the Patent Clause's objective of "promot[ing] the Progress of Science and useful Arts." U.S. Const., art. I, § 8, cl. 8. In *amici*'s collective experience, *inter partes* review has strengthened the patent system by providing a cost-effective, fair, and efficient mechanism for weeding out unpatentable claims that would otherwise stand as barriers to innovation and be used by non-practicing entities to extort settlements in patent-infringement litigation. And even those patent-infringement actions that are filed are often much simpler as a direct result of *inter partes* review, which can limit the claims at issue, estop defendants

from raising certain arguments challenging claims upheld by the PTAB, and streamline the district court's claim construction. In each of these respects, *inter partes* review has reduced wasteful litigation expenses and enabled *amici* to redeploy resources away from legal fees to research and development.

In short, *inter partes* review enables technology companies to focus on innovation, not litigation.

ARGUMENT

I. PATENT REVOCATION BY THE PRIVY COUNCIL IS THE CLOSEST HISTORICAL ANALOGUE TO *INTER PARTES* REVIEW.

When deciding whether it is permissible to assign a dispute to a non-Article III decision-maker, this Court looks to whether the proceeding "is made of 'the stuff of the traditional actions at common law tried by the courts at Westminster in 1789.'" *Stern v. Marshall*, 564 U.S. 462, 484 (2011) (quoting *N. Pipeline Constr. Co. v. Marathon Pipe Line Co.*, 458 U.S. 50, 90 (1982) (Rehnquist, J., concurring in the judgment)). If it is, then "the responsibility for deciding that suit rests with Article III judges in Article III courts" because, "in general, Congress may not 'withdraw from judicial cognizance any matter which, from its nature, is the subject of a suit at the common law, or in equity, or admiralty.'" *Id.* (quoting *Murray's Lessee v. Hoboken Land & Improvement Co.*, 59 U.S. (18 How.) 272, 284 (1856)).

Article III does not bar *inter partes* review before the PTAB because the Privy Council possessed the authority to revoke patents at the time of the Founding, including for lack of novelty and other reasons related to patentability. In fact, there is no historical

analogue whereby common-law or chancery courts could revoke patents for lack of novelty or obviousness. And because Article III does not prevent Congress from assigning claim cancellation to a non-judicial decision-maker, the Seventh Amendment—which applies only to suits at common law—is necessarily inapplicable.[2]

A. Patent Revocation Was Historically A Royal Prerogative Exercised By The Privy Council.

In eighteenth-century England, patents were issued by the Privy Council, the body of advisors to the Crown, pursuant to the Statute of Monopolies. *See* Edward C. Walterscheid, *The Early Evolution of the United States Patent Law: Antecedents (Part 4)*, 78 J. Pat. Trademark Off. Soc'y 77, 83-84 (1996). Prior to 1753, the Privy Council was also the primary venue for revoking patents. *See* E. Wyndham Hulme, *Privy Council Law and Practice of Letters Patent for Invention from the Restoration to 1794 (Part II)*, 33 L.Q.R. 180, 193-94 (1917). The Privy Council could revoke patents for a number of reasons, including reasons related to patentability. Specifically, the Privy Council "decided such questions as, [w]ho of two

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[2] Even if a matter was tried exclusively by the common-law or chancery courts at the time of the Founding, Congress can still assign it to a non-judicial decision-maker if it is a matter of "public right." *See Stern*, 564 U.S. at 488. Although the public-rights doctrine is largely beyond the scope of this brief, *amici* note their agreement with the position of respondents that "[p]atents are quintessential public rights," U.S. Cert. Brief 9, and that patent claims can therefore be cancelled outside of a judicial proceeding for this additional reason. *See* Greene's Merits Br. 29-39; U.S. Merits Br. 18-29.

claimants was the first inventor, [w]hether a patentee was working his patent, [w]hether the invention was really new, [and w]hether it was in the public interest to grant a patent." 6 William Holdsworth, *A History of English Law* 331 (1924) (footnotes omitted). Thus, like the PTAB, the Privy Council was a non-judicial body charged with the responsibility to assess patent validity based on criteria that included the novelty of the invention.

In 1753, after a particularly messy revocation proceeding, the Privy Council granted the chancery court concurrent authority to revoke patents through the writ of *scire facias*. *See* Hulme, *supra*, at 189-91, 193-94. But the writ of *scire facias* was only a partial delegation of the Privy Council's authority to revoke patents. The Privy Council continued to possess concurrent authority to revoke patents until the early twentieth century. *See* Oren Bracha, Owning Ideas: A History of Anglo-American Intellectual Property 21 n.35 (June 2005) (unpublished Ph. D. thesis, Harvard Law School) (citing William Martin, *The English Patent System* 16 (1904)), at https://law.utexas.edu/faculty/obracha/dissertation/pdf/chapter1.pdf. In fact, the Patent Law Amendment Act of 1852 set out a statutory form to be included in all patent grants that expressly reserved the right of the Privy Council (or the Queen) to revoke the patent. It stated, in relevant part:

> Provided always, and these Our Letters Patent are and shall be upon this Condition, that if at any Time during the said Term hereby granted it shall be made appear to Us, Our Heirs or Successors, *or any Six or more of*

> *Our or their Privy Council*, that this Our Grant is contrary to Law, or prejudicial or inconvenient to Our subjects in general, or that the said Invention is not a new Invention as to the public Use and Exercise thereof, or that the said is not the true and first Inventor thereof within this Realm as aforesaid, these Our Letters Patent shall forthwith cease, determine, and be utterly void to all Intents and Purposes, anything herein before contained to the contrary thereof in anywise notwithstanding.

Patent Law Amendment Act, 1852, 15 & 16 Vict., c. 83 (Eng.) (emphasis added), *at* https://cdn.patentlyo.com/media/2017/08/PL-Amendment-Act-15-16-Victoria-c.83-1852.pdf.

Because a patent could be revoked by a body other than a common-law or chancery court at the time of the Founding, Article III does not limit Congress's power to authorize a non-Article III decision-maker such as the PTAB to cancel patent claims. *See Stern*, 564 U.S. at 484. And where Article III is not implicated, the Seventh Amendment is necessarily inapplicable. *See Granfinanciera, S.A. v. Nordberg*, 492 U.S. 33, 53-54 (1989) ("if Congress may assign the adjudication of a statutory cause of action to a non-Article III tribunal, then the Seventh Amendment poses no independent bar to the adjudication of that action by a nonjury factfinder").

Petitioner does not dispute that the Privy Council had the authority to revoke patents at the time of the Founding. Petitioner instead contends that patent revocations by the Privy Council were "rare" and

"ceased entirely by 1779." Pet. Br. 25. But the frequency with which the Privy Council exercised its authority to revoke patents has no bearing on the constitutional question, which turns on whether the common-law and chancery courts were the *exclusive* forum in which a patent could be revoked at the time of the Founding. If so, then "the responsibility for deciding [such a] suit rests with Article III judges in Article III courts." *Stern*, 564 U.S. at 484. If not, then Congress can permissibly assign the matter to a non-Article III decision-maker. *Id.*

Petitioner misreads *Granfinanciera* in arguing that Article III requires that a federal court adjudicate every matter that was "*typically* resolved" in the common-law or chancery courts at the time of the Founding, even if the matter was "*occasionally* resolved" in a non-judicial setting. Pet. Br. 26. *Granfinanciera*—which addressed the applicability of the Seventh Amendment to a bankruptcy trustee's action to recover a fraudulent monetary transfer—did not endorse any such restriction on Congress's authority to assign matters to non-judicial decision-makers. In the passage invoked by petitioner, the Court dismissed the contention of the bankruptcy trustee—who was arguing against the applicability of the Seventh Amendment—"that courts of equity sometimes provided relief in fraudulent conveyance actions." *Granfinanciera*, 492 U.S. at 43. That "assertion," the Court explained, "hardly suffice[d] to undermine [the defendant's] submission that the present action for *monetary* relief would not have sounded in equity 200 years ago in England." *Id.* at 43. In other words, the historical record supported the defendants' request for a jury not because actions to recover

fraudulent transfers were only "occasionally resolved" in equity courts, Pet. 26 (emphasis omitted), but because they were *never* resolved there when a fraudulent transfer of money was at issue. *Granfinanciera*, 492 U.S. at 43.

The relevant constitutional question for purposes of Article III and the Seventh Amendment is therefore whether, at the time of the Founding, patents could be revoked—whether typically, occasionally, or even rarely—by a non-judicial decision-maker. The answer to that question is emphatically "yes" because persons seeking to challenge the validity of a patent could seek relief from the Privy Council for more than a century after the Founding. In fact, as explained next, they could *only* secure that relief from the Privy Council at the time of the Founding when seeking to invalidate a patent for lack of novelty. *See infra* Parts I.B-I.C.

B. The Writ Of *Scire Facias* Is Not An Historical Analogue To Patent-Claim Cancellation And Was Itself A Matter Of Public Right.

The Privy Council's authority to revoke patents at the time of the Founding is fatal to petitioner's position that Article III and the Seventh Amendment bar the PTAB from cancelling patent claims through *inter partes* review. But petitioner's position is doubly flawed because not only does petitioner improperly discount the Privy Council's patent-revocation authority but it also fails to identify an historical analogue by which the common-law or chancery courts could revoke patents for obviousness or lack of novelty.

Petitioner's reliance on the writ of *scire facias* as a supposed historical analogue to *inter partes* review is misplaced in multiple respects. Pet. Br. 24. The writ of *scire facias* emerged from the Privy Council's partial delegation of its patent-revocation authority to the chancery court in 1753. Through a petition for a writ of *scire facias*, a party could ask the chancery court to revoke a patent that had been "issued without authority" and that warranted repeal "for the good of the public and right and justice." *Mowry v. Whitney*, 81 U.S. (14 Wall.) 434, 440 (1871); *see also* 3 William Blackstone, *Commentaries* *260-61 ("Where the Crown hath unadvisedly granted any thing by letters patent, which ought not to be granted, or where the patentee hath done an act that amounts to a forfeiture of the grant, the remedy to repeal the patent is by writ of *scire facias* in chancery.") (footnotes omitted).

The Court outlined in *Mowry* the three classes of cases where *scire facias* could be used to revoke a patent:

> (i) When the king by his letters-patent has by different patents granted the same thing to several persons, the first patentee shall have a *scire facias* to repeal the second.
>
> (ii) When the king has granted a thing by false suggestion, he may by *scire facias* repeal his own grant.
>
> (iii) When he has granted that which by law he cannot grant, he . . . may have a *scire facias* to repeal his own letters-patent.

81 U.S. at 439-40; *see also* 4 Coke's Institutes 88.

None of these categories is analogous to cancelling a patent's claims due to lack of novelty or obviousness in *inter partes* review. A *scire facias* proceeding inquired into the existence of competing issued patents, false statements in the original patent petition, or *ultra vires* action by the King—not lack of novelty or obviousness. *Mowry*, 81 U.S. at 439-40. In fact, the Federal Circuit has explained that, given the limited areas of inquiry by the chancery court, the "writ of *scire facias* was not analogous to a suit for a declaration of invalidity" at all, "but was more akin to an action for inequitable conduct." *In re Tech. Licensing Corp.*, 423 F.3d 1286, 1290 (Fed. Cir. 2005).

Moreover, even if the writ of *scire facias* were a relevant historical antecedent to *inter partes* review, the writ was extensively intertwined with the interests of the Crown and was thus analogous to the adjudication of a "public right" that could be assigned to a non-Article III decision-maker under this Court's precedent. *Cf. Atlas Roofing Co. v. Occupational Safety & Health Review Comm'n*, 430 U.S. 442, 450 (1977) (public-rights doctrine extends to "cases in which the Government sues in its sovereign capacity to enforce public rights created by statutes within the power of Congress to enact").

Scire facias was one of the prerogative writs, which, as their name implies, have roots in the royal prerogative of the Crown. *See* 1 Blackstone, *supra*, at *232 ("[T]he prerogative is that law in case of the king, which is law in no case of the subject."). The Privy Council's delegation of authority to the chancery court to issue the writ of *scire facias* meant that the court had concurrent authority with the Council to revoke patents on certain grounds, but every as-

pect of the *scire facias* proceeding was still infused with the Crown's interests.

For example, although a writ of *scire facias* could be sought by a private party, it was issued in the "name of the king." *United States v. Am. Bell Tel. Co.*, 128 U.S. 315, 360 (1888); *see also* 3 Blackstone, *supra*, at *261 (petition for a writ of *scire facias* "may be brought either on the part of the king . . . or, if the grant be injurious to the subject, the king is bound of right to permit him (upon his petition) to use his royal name for repealing the patent in a *scire facias*"). In fact, the Crown's interest in the proceeding was so great that the Attorney General had to grant leave to issue the writ and was a party to the case in which the writ was sought. *See* William Hands, *The Law and Practice of Patents for Inventions* 16 (London, W. Clarke & Sons 1808) ("[A] writ of *scire facias* . . . issues out of the Court of Chancery, at the instance of any private person, but in the name of the King[;] leave to issue it must therefore be previously obtained from the Attorney General.").[3]

Because the writ of *scire facias* only existed by delegation from the Crown, was issued in the name

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[3] In contrast, most other writs available to private parties did not require approval and participation by the Crown, and their issuance ultimately rested within the sole discretion of the courts. For example, habeas corpus "issu[ed] out of the court of king's bench . . . by a *fiat* from the chief justice or any other of the judges." 3 Blackstone, *supra*, at *131. Certiorari was granted "as a matter of right" when claimed by the prosecutor and "as a matter of discretion" of the court when sought by a defendant. 4 *id.* at *316. Mandamus likewise could be issued by a court as "a command . . . in the king's name" but did not require authorization from or involvement by the Crown. 3 *id.* at *110.

of the Crown, and required permission from a representative of the Crown who was a party to the case, a chancery court proceeding on a petition for *scire facias* would fit squarely within this Court's definition of a matter of "public right." *Cf. Crowell v. Benson*, 285 U.S. 22, 50 (1932) (a public right is "between the government and persons subject to its authority in connection with the performance of the constitutional functions of the executive or legislative departments"). Thus, even if *scire facias* is a relevant historical analogue to cancellation of patent claims, the writ underscores that claim cancellation is the type of public-rights proceeding that can be heard by a non-judicial decision-maker and lends no support to petitioner's attempt to restrict the resolution of patentability challenges to Article III courts.

C. The Defense Of Invalidity Is Not An Historical Analogue To Patent-Claim Cancellation.

Petitioner fares no better when pointing to the defense of invalidity in patent-infringement actions as a purported historical analogue to the cancellation of patent claims. As with *scire facias*, there are several salient distinctions between the defense of invalidity at the time of the Founding and the cancellation of claims for obviousness or lack of novelty.

As this Court has recognized, the "basic purpose[ ]" of *inter partes* review is to take "a second look at an earlier administrative grant of a patent." *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2144 (2016). A petitioner in an *inter partes* review proceeding seeks cancellation of claims due to unpatentability. *See* 35 U.S.C. § 311(b) ("petitioner in an inter partes review may request to cancel as un-

patentable 1 or more claims of a patent"). The result of a successful petition in *inter partes* review is a certificate "canceling any claim of the patent finally determined to be unpatentable." *Id.* § 318(b). The cancelled claim cannot be invoked by the patent owner against the petitioner or any other person.

In contrast, the invalidity defense to a patent infringement action was historically an individual defense that would not preclude the patent owner from invoking its rights against any person other than the defendant in the infringement action. *See* Hands, *supra*, at 16 (explaining that in an infringement suit a patent may be "avoided" by raising defects in the patent, but under the writ of *scire facias* a patent is "absolutely vacated") (emphasis omitted). Indeed, patent owners in eighteenth-century England could repeatedly sue for patent infringement even after a court had declared the patent to be invalid on one or more occasions. That is exactly what transpired, for instance, in the well-known *Arkwright* cases until the patent was ultimately revoked by writ of *scire facias* in the King's name. *See* Walterscheid, *supra*, at 101 n.132 (discussing the *Arkwright* cases).[4]

There are also several other significant distinctions between cancellation of a patent through *inter partes* review and the historic defense of invalidity. For example, claims can be amended during *inter partes* review in order to avoid cancellation, 35

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[4] A judicial finding of invalidity had similarly narrow effect in the United States until 1971 when this Court held that a judgment of invalidity generally bars the patent owner from relitigating invalidity in future lawsuits through defensive, nonmutual collateral estoppel. *See Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313, 350 (1971).

U.S.C. § 316(d)(1), but a patent holder could not amend his patent in court in response to a defense of invalidity. Moreover, a petitioner need not be the subject of a patent-infringement claim to initiate *inter partes* review. *See id.* § 311(a) ("a person who is not the owner of a patent may file with the Office a petition to institute an inter partes review"). The invalidity defense, in contrast, could not be raised outside the confines of an infringement action.

For each of these reasons, the defense of invalidity is not an historical analogue to the cancellation of a patent claim in *inter partes* review and therefore does not impose an Article III or Seventh Amendment barrier to Congress's assignment of cancellation to the PTAB.

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Nothing in the historical record tied Congress's hands in seeking to devise a cost-effective, efficient administrative procedure for identifying and weeding out unpatentable claims. In fact, when Congress established *inter partes* review, it adopted a model of concurrent agency and court jurisdiction over selected patentability issues that bears many similarities to the concurrent jurisdiction exercised by the Privy Council and the English courts at the time of the Founding. Neither Article III nor the Seventh Amendment prevented Congress from following that time-tested historical model.

II. *INTER PARTES* REVIEW PROMOTES INNOVATION BY REMOVING ARTIFICIAL PATENT BARRIERS AND REDUCING WASTEFUL LITIGATION COSTS.

Inter partes review is not only consistent with Article III and the Seventh Amendment, but it also advances the Patent Clause's objective of "promot[ing] the Progress of Science and useful Arts." U.S. Const., art. I, § 8, cl. 8. In *amici*'s experience, *inter partes* review provides an efficient, low cost, and evenhanded means of eliminating unpatentable claims that would otherwise constitute a barrier to innovation.

Congress created *inter partes* review in the Leahy-Smith America Invents Act ("AIA"), Pub. L. No. 112-29, 125 Stat. 284 (2011), "to ensure that the poor-quality patents can be weeded out through administrative review," 157 Cong. Rec. S5409 (Sept. 8, 2011) (Sen. Schumer). Congress sought to "provid[e] quick and cost effective" administrative procedures for challenging the validity of patent claims, to "improve patent quality," and to "restore confidence in the presumption of validity." H.R. Rep. No. 112-98, pt. 1, at 48. Congress charged the PTAB with eliminating "low quality and dubious" patent claims and "separat[ing] the inventive wheat from the chaff." 157 Cong. Rec. S131 (daily ed. Jan. 25, 2011) (Sen. Leahy).

Inter partes review has proved to be tremendously successful in securing these legislative objectives and in "help[ing] protect the public's paramount interest in seeing that patent monopolies . . . are kept within their legitimate scope." *Cuozzo Speed Techs.*, 136 S. Ct. at 2144 (ellipsis in original; internal quo-

tation marks omitted). Where the Patent and Trademark Office ("PTO") issues patents for claims that were not novel or that were obvious, those patents stand as obstacles to technological progress. In the absence of *inter partes* review, innovators who are threatened with an infringement suit by the owner of an improperly issued patent generally are required either to pay for a license from the patent owner or to absorb the costs and delay of litigating the claims' validity in court.

These impediments to technological progress were exacerbated in the years preceding enactment of the AIA by the proliferation of non-practicing entities that hoard patents with no intention of actually using them to develop new inventions. As a recent study by the Congressional Research Service found, "[patent assertion entity] activity cost defendants and licensees $29 billion in 2011, a 400 percent increase over $7 billion in 2005," and "the losses are mostly deadweight, with less than 25 percent flowing to innovation and at least that much going towards legal fees." Brian T. Yeh, Cong. Research Serv., R42668, An Overview of the "Patent Trolls" Debate 2 (2013); *see also* Lauren Cohen et al., *The Growing Problem of Patent Trolling*, 352 Science 521, 521 (2016) (finding that after settling with non-practicing entities, firms on average reduce their research and development investment by 25%). *Inter partes* review allows innovative companies like *amici* to clear the patent underbrush in an efficient manner and, in turn, to devote a greater proportion of their resources to research and development, or licensing valuable patents addressed to useful technologies, rather than litigation regarding overly broad, invalid patents.

Amici's firsthand experiences with *inter partes* review, both as petitioners and patent owners, confirm that the process has fulfilled its promise of providing a quick, cost-effective, and fair mechanism to resolve patentability questions. *Inter partes* review narrows or eliminates disputes about the patentability of claims and reduces associated costs in at least four ways.

First, as a direct result of *inter partes* review, patent owners are less likely to threaten litigation or file an infringement suit based on patent claims that they know or suspect to be unpatentable. Indeed, since passage of the AIA, *amici* have seen a material change in the nature of their patent-litigation dockets. Patent owners who threaten or file suit merely to seek cost-of-litigation settlements have become far less prevalent because the availability of *inter partes* review has reduced the cost, and increased the speed, of obtaining a determination of unpatentability.

Second, if *inter partes* review proceedings are necessary as a result of threatened or ongoing litigation, the proceedings may culminate in PTAB's cancellation of all asserted claims. That outcome will prevent litigation from ever being filed or, if it has already been initiated, put an end to ongoing litigation at a fraction of the cost that would have been incurred to litigate the case through trial. *See, e.g.*, *B.E. Tech, L.L.C. v. Facebook, Inc.*, No. 12-cv-02769 (W.D. Tenn.) (all claims asserted by plaintiff cancelled by PTAB in *inter partes* review while infringement case was stayed); *EveryMD LLC v. Facebook, Inc.*, No. 13-cv-06208 (C.D. Cal.) (plaintiff voluntarily dismissed infringement suit after initiation of *inter partes* review that ultimately cancelled all asserted claims).

A full-blown patent-infringement case in district court can cost anywhere between $2 million and $10 million or more, while a typical *inter partes* review proceeding, from petition through final written decision, typically costs less than $500,000. *See* Am. Intell. Prop. L. Ass'n, 2015 Report of the Economic Survey 37-38 (2015), *at* http://files.ctctcdn.com/e79ee274201/b6ced6c3-d1ee-4ee7-9873-352dbe08d8fd.pdf; RPX Corp., NPE Litigation: Costs by Key Events 3 (2015) (costs upwards of $10 million for the 90th percentile of patent litigation), *at* http://www.rpxcorp.com/wp-content/uploads/sites/2/2015/05/Final-NPE-Litigation-Costs-by-Key-Events1.pdf. Those substantial litigation costs are conserved when the PTAB cancels the asserted claims or where the initiation of *inter partes* review prompts a settlement between the parties. *See Arctic Cat Inc. v. Polaris Indus. Inc.*, No. 13-3579, 2015 WL 6757533, at *3 (D. Minn. Nov. 5, 2015) (granting a stay pending the resolution of *inter partes* review because, "as the parties jointly argue, [*inter partes* review] may encourage a settlement without the further use of the Court") (internal quotation marks omitted).

Third, where the PTAB does not cancel all asserted claims, statutory estoppel may limit the invalidity defenses that the defendant is permitted to raise in litigation and thereby narrow the issues to be resolved by the district court. *See* 35 U.S.C. § 315(e)(2) (barring defendants from challenging the validity of a claim on "any ground that [it] raised or reasonably could have raised during th[e] inter partes review"). Moreover, the PTAB's reasoning in rejecting an unpatentability argument may make clear that certain elements of the claimed invention were in the prior art, but that a particular feature

was key to patentability. Where that occurs, the parties' damages presentations are appropriately focused on the incremental value of that feature, rather than on those elements of the invention that were in the prior art. Damages presentations may also be curtailed where the patent holder amends the relevant claims during *inter partes* review to avoid cancellation, *id.* § 316(d)(1), which bars the patent holder from recovering pre-amendment damages.

Finally, the PTAB proceedings may narrow the claim-construction issues to be decided by the district court. A district court's claim construction may be no broader than the PTAB's claim construction because the PTAB is required to give a claim "its broadest reasonable construction." 37 C.F.R. § 42.100(b). Thus, the PTAB's construction of a claim term—even an unasserted claim—may inform and facilitate the district court's subsequent construction of the same term.

Inter partes review can also narrow the infringement issues to be resolved by the district court where the patent owner, in defending the patentability of its claims before the PTAB, makes arguments that have the effect of disavowing claim scope. The patent holder is barred from retracting that disavowal during litigation regarding those claims. This is yet-another example of the many ways in which the patent owner's arguments and the PTAB's conclusions clarify and streamline the issues to be decided in litigation. *See Arctic Cat Inc.*, 2015 WL 6757533, at *3 ("the PTAB's written determinations may clarify the scope of the patents and prior art, thus narrowing the disputes and limiting the breadth of discovery").

District courts have repeatedly recognized that *inter partes* review has the potential to narrow the issues to be resolved in litigation and sometimes even put an end to litigation altogether. District courts grant motions to stay litigation after an *inter partes* review or similar proceeding has been initiated approximately 50% of the time. *See, e.g.*, Success Rates on Request to Stay Pending IPR, CBM, or PGR Through 2016, DocketReport (2017) (reporting statistics from major patent venues for stay motions granted in full or in part), *at* http://docketreport.blogspot.com/2017/02/success-rates-on-requests-to-stay.html. In fact, in a recent hearing involving one of the *amici*, the district court judge commented that *inter partes* review "is, in my view, a great advance." Tr. of Status Conf. at 3:21-23, *Intellectual Ventures I, LLC v. Lenovo Group Ltd.*, No. 16-10860-PBS (D. Mass. July 13, 2017). The judge explained that she would carefully consider the PTAB's claim-construction rulings, in light of the special technical expertise of the PTAB, *id.* at 28:7-11, and commented that it would be "a sad day for a Federal District Court" if *inter partes* review is found unconstitutional. *Id.* at 22:14-15.[5]

These sentiments are widely shared. As another district court explained, the expertise of the PTAB in *inter partes* review proceedings may substantially simplify issues in pending litigation because

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[5] The expertise of the PTAB is evident in its affirmance rate. The Federal Circuit affirmed approximately 72% of the appeals from the PTAB in 2016. C. Violante, *Law360's Federal Circuit Snapshot: By The Numbers*, Law360 (Mar. 1, 2017), *at* https://www.law360.com/newsroom/articles/58ade8f20857780a37005e0e.

> (1) all prior art presented to the court at trial will have been first considered by the PTO with its particular expertise, (2) many discovery problems relating to the prior art can be alleviated, (3) if [the] patent is declared invalid, the suit will likely be dismissed, (4) the outcome of the [*inter partes* review] may encourage a settlement without further involvement of the court, (5) the record of the [*inter partes* review] would probably be entered at trial, reducing the complexity and the length of the litigation, (6) issues, defenses, and evidence will be more easily limited in pretrial conferences and (7) the cost will likely be reduced both for the parties and the court.

Neste Oil OYJ v. Dynamic Fuels, LLC, No. 12-1744-GMS, 2013 WL 3353984, at *4 (D. Del. July 2, 2013) (internal quotation marks omitted); *see also Arctic Cat Inc.*, 2015 WL 6757533, at *3 ("[A] stay pending [*inter partes* review] will likely simplify the litigation and facilitate trial."). Indeed, courts have recognized that "complex infringement lawsuit[s]" are "precisely the type of [cases] that stand[ ] to benefit from the streamlining effects of" *inter partes* review. *Advanced Micro Devices, Inc. v. LG Elecs., Inc.*, No. 14-cv-01012, 2015 WL 545534, at *4 (N.D. Cal. Feb. 9, 2015); *see also id.* at *5 (granting a stay where plaintiff asserted nine patents and forty-five claims); *AC-QIS, LLC v. EMC Corp.*, 109 F. Supp. 3d 352, 358 (D. Mass. 2015) (granting stay because "the IPRs are likely to simplify the issues in this case, regardless of the specific outcomes of the IPRs") (footnote omitted); D.E. #113, *Realtime Data, LLC v. Dell, Inc.*, 6:16-cv-89-RWS-JDL (E.D. Tex. Feb. 3, 2017) (staying in-

fringement action pending the outcome of *inter partes* review); D.E. #55, *PersonalWeb Techs., LLC v. Facebook, Inc.*, 5:13-cv-01356-EJD (N.D. Cal. Jan. 13, 2014) (same); D.E. #41, *PersonalWeb Techs., LLC v. EMC Corp.*, 5:13-cv-01358-EJD (N.D. Cal. Jan. 13, 2014).

Amici have also found that *inter partes* review is a valuable tool for protecting their customers and users from infringement liability. It is not uncommon for a patent holder to threaten or sue customers or users of a product supplied by a manufacturer. Because the customer or user may be using the manufacturer's technology as only one component of a larger system, the manufacturer might not be susceptible to the same infringement allegations and therefore might lack standing to bring a declaratory-judgment action challenging the validity of the patent claims at issue.

In the absence of post-grant proceedings like *inter partes* review, the manufacturer is confronted with two unpalatable options: voluntarily defend its customers in litigation, at an expense of potentially tens of millions of dollars depending on the number of customers who have been sued, or decline to do so and risk alienating its customers. *Inter partes* review provides a solution because, even without being accused of infringement itself, the manufacturer has the ability to protect its customers in a cost-effective way by challenging the validity of the asserted claims before the PTAB. *See* 35 U.S.C. § 311(a). If the manufacturer prevails in the *inter partes* review, it will have succeeded in avoiding substantial legal fees for both itself and its customers, and will have preserved and strengthened its business relation-

ships. That outcome would not be possible in the absence of *inter partes* review.

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As patent holders themselves, *amici* would not support *inter partes* review if the procedure failed to afford adequate safeguards for patent holders' rights. In *amici's* experience, however, the PTAB has amply demonstrated that it is able to strike an appropriate balance between cancelling unpatentable claims that stand as barriers to innovation, on the one hand, and preserving the legitimate property rights of patent owners whose claims are novel and non-obvious, on the other. These benefits have led to a far more efficient and fair patent system that reduces wasteful litigation costs and fosters innovation through procedures that are fully compatible with the Constitution.

CONCLUSION

A decision invalidating *inter partes* review would stymy technological progress, encourage unwarranted infringement litigation and extortionate settlements, and expand the caseload and backlog of the federal courts. Nothing in Article III or the Seventh Amendment compels saddling the American economy and the federal judiciary with that innovation-killing, litigation-spawning outcome.

The Court should affirm the judgment below.

Respectfully submitted.

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